



California Legislature

Joint Legislative Audit Committee

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September 16, 1981

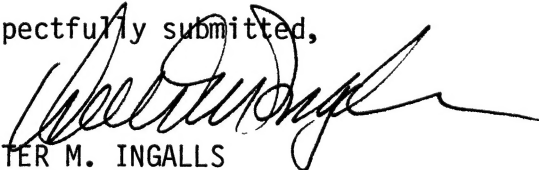
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The Honorable President pro Tempore of the Senate
The Honorable Speaker of the Assembly
The Honorable Members of the Senate and the
Assembly of the Legislature of California

Members of the Legislature:

Your Joint Legislative Audit Committee respectfully submits the Auditor General's report concerning costs of bill room services charged to the Legislature by the Office of State Printing during the last biennial session.

Respectfully submitted,


WALTER M. INGALLS
Chairman, Joint Legislative
Audit Committee



Telephone:
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Thomas W. Hayes
Auditor General

STATE OF CALIFORNIA
Office of the Auditor General
660 J STREET, SUITE 300
SACRAMENTO, CALIFORNIA 95814

September 10, 1981

Letter Report 061

Honorable Walter M. Ingalls,
Chairman, and Members of the
Joint Legislative Audit Committee
925 L Street, Suite 750
Sacramento, California 95814

Dear Mr. Chairman and Members:

In response to your request, we have reviewed the costs of bill room services charged to the Legislature by the Office of State Printing (OSP) during the last biennial session, which begins on the first Monday in December of each even-numbered year and ends at midnight on November 30 of the following even-numbered year. This review was conducted under the authority vested in the Auditor General by Sections 10527 and 10528 of the Government Code.

STUDY RESULTS

We found that during the last biennial session, the Office of State Printing overcharged the Legislature \$60,246 for services performed by the Legislative Bill Room, which files and distributes all bills, resolutions, and journals ordered by the Senate or the Assembly. This overcharge consisted of duplicate overhead charges amounting to \$48,718 and clerical errors in invoicing totaling \$11,528.

Background

The Legislative Bill Room is administered by the Office of State Printing within the Department of General Services. In accordance with Section 9790 et seq. of Title 2 of the Government Code, the department maintains a bill filing room for the Senate and Assembly. This bill room files all bills, resolutions, journals, and other documents ordered by the Senate or Assembly. It also places such bills, resolutions, journals, and other documents in binders for the use of the members of the Legislature.

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According to Rule 13 of the Temporary Joint Rules of the Senate and Assembly, the Legislature incurs the full cost of printing and distributing legislative publications. Joint Rule 13 provides that others subscribing to these publications pay a fee as fixed by the State Printer. The amounts collected are credited to the legislative printing account in the General Fund.

Methodology

To evaluate the reasonableness of costs charged for bill room services, we examined invoices that the Office of State Printing submitted to the Legislature for bill room services and verified the charges by examining supporting records. Further, we obtained from the OSP an explanation of the overhead rate which is applied to the bill room's direct costs and then analyzed each component of the overhead rate to determine whether it was reasonable. We did not, however, evaluate staffing standards of the bill room.

This report relates only to the items specified above and does not extend to any financial statements of the Department of General Services, taken as a whole. Moreover, because the procedures performed do not constitute an examination made in accordance with generally accepted auditing standards, we do not express an opinion on the charges for bill room services as of June 30, 1980 and 1981.

The Office of State Printing Overcharged the Legislature \$60,246 for Bill Room Services

We found that during the last biennial session, the Office of State Printing overcharged the Legislature \$60,246 for bill room services. Specifically, \$48,718 of that amount resulted from duplicate overhead charges. The department has not reviewed the overhead rate it applies to bill room services since establishing the rate more than 10 years ago. Additionally, \$11,528 of the overcharge resulted from clerical errors.

Invoices charged to the Legislature during the last biennial session for bill room services amounted to \$1,126,995. These invoices are detailed in the following table:

TABLE 1

BILL ROOM EXPENSES
FOR THE BIENNIAL SESSION
ENDING NOVEMBER 30, 1980

Salaries and Wages		\$ 817,156
Operating Expenses and Equipment		
Rent	\$156,897	
Postage	24,582	
Car Rental	2,345	
Telephone	2,327	
Data Processing	3,868	
Printing	14,409	
Equipment	462	
Miscellaneous	<u>6,183</u>	
Total Operating Expenses and Equipment		211,073
Overhead		<u>98,766</u>
Total		<u>\$1,126,995</u>

Overhead Charges

During the last biennial session, the OSP erroneously billed the Legislature for overhead charges totaling \$48,718. These charges--consisting of administrative and accounting services, trucking, and material handling expenses--duplicated other cost components charged by the OSP. The OSP has not reviewed the overhead rate it applies to bill room services since establishing the rate more than 10 years ago.

We requested an explanation of overhead charges for bill room services from the Office of State Printing. This explanation, which is attached to this report as Appendix A, is summarized below:

TABLE 2
OVERHEAD RATE CHARGED BY
THE OFFICE OF STATE PRINTING

<u>Cost Components</u>	<u>Rate</u>
Statewide prorata costs levied on all executive agencies	2%
Departmental overhead	3
Bill room administrative overhead	2
Trucking and other handling of materials	1
Accounting services	<u>2</u>
Total	<u>10%</u>

After analyzing each of these components, we determined that although statewide prorata and departmental overhead are reasonable charges against bill room operations, the other cost components are duplicative. That is, administrative and accounting services' costs are recovered through the departmental overhead charges, while trucking and other material handling expenses are directly charged as bill room operating expenses.

Thus, instead of the 10 percent rate the OSP applies, a rate of 5 percent should have been charged for overhead. Because of this error, the Legislature was overcharged \$48,718 for overhead during the last biennial session.

The OSP explained that the overhead rate currently used was established more than 10 years ago. Yet the office has not reviewed this 10 percent rate since it was established. The OSP recognizes the rate as only an estimate of overhead applicable to the Legislative Bill Room.

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We noted another problem related to overhead charges. The OSP charges its production centers for overhead costs associated with administering the Legislative Bill Room, even though the OSP also charges the Legislature for this overhead. As a result, the OSP allocates and recovers overhead costs in excess of the amount it incurs.

Billing Errors

We also found that clerical errors in the OSP's billings resulted in a net overcharge to the Legislature. Specifically, the overcharge resulted when the OSP billed the Legislature for bill room salaries and wages for April 1980 using the amount of the March payroll rather than that of the April payroll. Since the March payroll exceeded April's payroll by \$18,870, the Legislature was overcharged by that amount. The undercharges were caused by a lack of supervisory review as well as failure to reconcile invoices to cost reports. The OSP did not charge the Legislature for overhead amounting to \$2,619 for December 1979 and January 1980. In addition, the Legislature was undercharged by \$4,723 when the OSP deducted bill room operating expenses for August 1980 from September's operating expenses. These conditions caused a net overcharge totaling \$11,528.

CONCLUSION

We have concluded that the Office of State Printing has overcharged the Legislature for bill room services because its overhead rate contains duplicative components and because the OSP's billing system for bill room services lacks adequate control.

RECOMMENDATION

We recommend that the Office of State Printing amend the overhead rate it charges for bill room services to eliminate duplicate charges to the Legislature. We also recommend that the OSP reduce the overhead it allocates to the production centers by the amount it charges the Legislature for overhead costs of the Legislative Bill Room. Further, we recommend that the OSP establish procedures for reviewing invoices for bill room services and for reconciling invoices to the monthly

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Chairman, and Members of the
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budget report before submitting invoices to the Legislature for payment. Finally, the OSP should credit \$60,246 to the Legislature; this amount could be offset against future bill room costs.

Respectfully submitted,

A handwritten signature in cursive script, reading "Thomas W. Hayes".

THOMAS W. HAYES
Auditor General

Staff: Richard I. LaRock
Jeffrey A. Winston
James Rostron

Attachment: Response to the Auditor General's Report
Chief, Management Services Office
Department of General Services

Memorandum

To : Legislative Auditor General
925 L Street, Suite 750
Sacramento, CA 95814

Date: April 7, 1981

ATTN: Mr. Jeff Winston

From : Vincent J. Toolan, State Printer



Subject: Legislative Bill Room Costs and Work Standards

In response to your inquiry, I have reviewed the ten percent surcharge on Legislative Bill Room costs and the work standards in that area.

The administrative surcharge on the Bill Room costs is required in order that we recover our costs for:

1. Statewide pro rata costs which are levied on all executive agencies. 2%
2. Departmental pro rata and overhead which includes direction of the Department of General Services plus the State Printer's Office. 3%
3. Legislative Bill Room administrative costs which, in addition to supervision, would include typing of printing and other stationery orders and responding to telephone inquiries of both the Legislature and the public. 2%
4. Trucking and other material handling of materials between the Bill Room and its annex and special trips on rush material to the State Printing Plant. 1%
5. Accounting services in the preparation of journal vouchers, maintenance of a set of books for the Legislative Printing Fund, preparation of monthly statements summarized semi-annually. 2%

With regard to workload standards, these reflect directly the activity of the Legislature.

A basic cadre of thirteen people are maintained year-round to respond to the requirements of the Legislature and the public.

When the Legislature is in session and activity increases, one intermittent employee is added for every 400 legislative actions, i. e., bill introductions, amendments, enrollments, chaptering, or resolutions chaptered.

In addition, late in the session when members' books (on floor desk) exceed two volumes, it is necessary to add one person per ten volumes in each house.

During recess periods, the intermittent staff is reduced to five allowing for interim committee service and service to the public.

Basic Staffing

Main Bill Room in Capitol:

- 1 - Supervisor
- 2 - Clerical support to respond to average daily demand of 150 phone calls, 150 mail contacts
- 2 - Public counter contact

Annex to Bill Room, 11th and O Streets:

- 1 - Supervisor
- 1 - Bookkeeper
- 2 - Counter and file clerk
- 3 - File clerks filling interim requests
- 1 - Truck driver (mail room clerk)

VJT:jg

Memorandum

ATTACHMENT 1

Date : September 4, 1981

File No. :

To : Richard I. LaRock
Audit Manager
Office of the Auditor General
925 L Street, Suite 750
Sacramento, California 95814

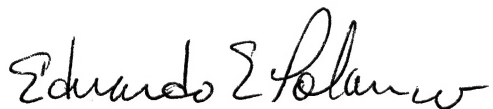
Subject : LETTER REPORT 061,
BILL ROOM SERVICES COST REVIEW

From : Department of General Services

The Office of State Printing and Management Services Office staff have reviewed the draft of the subject report and concur with the report's findings.

Based on the findings and recommendations, action is being taken to allocate overhead costs more accurately effective August, 1981. Billings for the current biennial session will be adjusted as recommended. In regard to establishing procedures to verify bill room invoices to the monthly budget report, corrective action was taken in April, 1981 to preclude any repetition of clerical billing errors.

We agree with the basic premise of offsetting the \$60,246 credit against bill room invoices and will offset the credit to the accounts receivable for bill room services and apply the credit excess to future costs.



EDUARDO E. POLANCO, Chief
Management Services Office
5-9638

EEP:lm

cc: Vince Toolan

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